

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING RULES

Docket No. RM2018-2

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
(April 6, 2018)

The United States Postal Service hereby replies to the comments of the Public Representative and United Parcel Service, Inc. (UPS). In its petition, the Postal Service made three requests of the Postal Regulatory Commission: (1) adjust the filing deadlines for certain periodic reports; (2) revise the format of the Monthly Summary Financial Report; and (3) consider eliminating or modifying any reporting requirements that the Commission determines have become unnecessary. Notably, neither commenter objects to the first request. The Postal Service therefore focuses here on the second and third requests, and on UPS's additional proposal.

Public Representative

In response to the Postal Service's request that the Commission consider eliminating or modifying any unnecessary reporting requirements, the Public Representative suggests that "more specific information is needed" from the Postal Service as to the administrative effort and expense incurred in complying with these requirements. PR Comments at 7-8. In this vein, the Postal Service observes that any amount of resources dedicated to producing a report that the Commission is not using to meet its statutory duties contravenes the requirement of section 3652(e)(1)(B) to avoid imposing "unnecessary or unwarranted administrative effort and expense on the part of the Postal Service." The threshold inquiry is for the Commission to determine

whether any of the required reports no longer aid the Commission in carrying out its statutory responsibilities.

In 2009, the Commission adopted its periodic reporting requirements to facilitate its “enhanced information gathering and reporting responsibilities under the PAEA.” Order No. 203, Docket No. RM2008-4 (May 5, 2009) at 1. When the Commission first proposed its periodic reporting rules, it articulated rationales for the requirements. For instance, the Commission reasoned that “the more frequently reported items support the Postal Service’s Annual Report” and “would assist the Commission in performing its duty under 39 U.S.C. 3653 to [produce the Annual Compliance Determination].” Order No. 104, Docket No. RM2008-4 (August 22, 2008) at 22. The Commission called specific attention to the monthly Revenue and Expense Summaries Report and the National Consolidated Trial Balances as an example of such a report. *Id.* Moreover, the Commission noted that the quarterly reports (i.e., the RPW, QSR¹ and billing determinants) would be “needed to help the Commission prepare its annual report under section 3651 which evaluates how the system embodied in its regulations is working.” *Id.*

Based on its almost decade of experience since the requirements were adopted, the Commission can now assess whether each report remains useful for its intended purpose, or whether the value of certain reports has evaporated over time. Once the Commission has made this assessment, then the Public Representative’s suggestion may become pertinent – for example, if the Commission relied on a balancing exercise when adopting a particular report and it now appears that the balance may have shifted.

¹ That is, the Revenue, Pieces, and Weight (RPW) report and Quarterly Statistics Report (QSR).

The Postal Service appreciates the Public Representative's suggestion that the Commission update its rules regarding the Monthly Summary Financial Report for September "to more precisely reflect past practice." PR Comments at 5-6. Specifically, the Public Representative proposes that the Commission clarify that the September Monthly Summary Financial Report is due at the same time as the Annual Report on Form 10-K. *Id.* Commission Rule 3050.28(b) currently provides that the Monthly Summary Financial Reports for months which are the last month of a quarter (such as September) are due when "the Form 10-Q report is provided." But, as the Public Representative points out in her comments, no Form 10-Q report is filed for the last quarter of the fiscal year, because the Postal Service is instead filing the Annual Report on Form 10-K. Consequently, the September Monthly Summary report has been routinely filed on the same day that the 10-K report is provided to the Commission.²

Although this practice has proceeded without generating any apparent difficulties, in order to eradicate any ambiguity in the rule, the Postal Service joins the Public Representative in urging the Commission to modify Rule 3050.28(b) to clarify that the due date for the September Monthly Summary report coincides with the 10-K filing. The Postal Service believes the Public Representative's proposed change would achieve that objective.³

Related to this suggestion of the Public Representative, it perhaps bears re-emphasizing that, as set forth on pages 5-6 of its petition in this proceeding, the Postal

² For instance, the FY 2017 10-K and the September 2017 Monthly Summary report were submitted to the Commission on November 14, 2017. Likewise, the Postal Service submitted both the FY 2016 10-K and the September 2016 Monthly Summary report on November 15, 2016.

³ The Public Representative proposes amending the last clause of Rule 3050.28(b) so it reads "except that the report for the last month of each quarter shall be provided at the time that the Form 10-Q or 10-K report (whichever is applicable) is provided." PR Comments at 6.

Service is urging the Commission to synchronize the filing deadline of the Trial Balance report with that of the Monthly Summary report. The filing schedule for the Monthly Summary report is set forth in Rule 3050.28(b), and under the current subpart (c) of Rule 3050.28, the filing schedule for the Trial Balance material is simply the default deadline set forth in subpart (a) of 15 days after the close of the relevant period. If the Commission is disposed to synchronize the filings as requested by the Postal Service, and is likewise disposed to further include an explicit reference to the Form 10-K in subpart (b) as suggested by the Public Representative, perhaps the simplest way to achieve both objectives (assuming the requested revisions in subpart (b)) would be to add language at the end of subpart (c) as follows:

(c) National Consolidated Trial Balances and the Revenue and Expense Summary (monthly), on the same schedule as specified in paragraph (b) of this section;

Of course, if preferred, direct reference to the Monthly Summary Financial Report within subpart (c), or repetition of the same language in subparts (b) and (c), would achieve the same end.

UPS

With respect to the Postal Service's proposal to modify the Monthly Summary Report to align the definition of operating revenue with the definition applied for purposes of the Postal Service's 10-Q and 10-K reporting, UPS suggests that this could hamper the ability to look at trends or do any longitudinal analysis. UPS Comments at 5-6. UPS wants the Commission to review the parallel SEC reporting definitions for publicly-traded delivery companies, and minimize the Postal Service's use of self-defined terms. If the Commission approves the Postal Service's proposal, UPS appears

to seek that such approval be conditioned upon a requirement that either all previous reports be regenerated using the new format, or parallel versions be created using the old and new format for 12 months following implementation.

UPS has overestimated the significance of the Postal Service's proposal. Under discussion are only a few rows of the Monthly Summary Report. The modifications the Postal Service seeks in those rows are not an attempt to venture into uncharted territory, but rather stem from a desire to standardize a format successfully employed elsewhere by the Postal Service for many years. UPS identifies no problems resulting from the prior established use of the requested format in the context of the 10-K and 10-Q reports.⁴ Nor does UPS explain why the new format, compared with the existing structure of the monthly report, would be any more or any less consistent with SEC reporting by private delivery companies.⁵ Equally misplaced would be the parallel reporting requirements that UPS seeks to impose regarding the Monthly Summary Reports, either of which would be unwarranted given the modest nature of the proposed changes.⁶

⁴ Indeed, the Public Representative apparently had no difficulty in identifying alternative sources of information regarding the components of the affected rows of these Tables (see PR Comments at 6-7), thus further underscoring why these changes would not constitute a threat to transparency.

⁵ Of course, since one material element of the proposal is the treatment of the current Government Appropriations row (see Petition at 7), it is doubtful that comparisons with private sector reporting would offer any meaningful guidance.

⁶ With respect to recasting, however, if the proposal were approved, the Postal Service in effect would already be presenting recasted data each of the first 12 months following implementation, because the SPLY column would also be presented using the new format. UPS, though, appears to be suggesting going beyond that (unless it perhaps simply failed to recognize this aspect of the SPLY column), which would be neither necessary nor reasonable. On the other hand, it is not unreasonable for UPS to suggest (pages 6-7) that the Commission allow parties the opportunity to comment before eliminating reporting requirements that it may identify as unnecessary, assuming that the nature of any contemplated change involves the availability of information that actually might be potentially material. Other potential changes, of course, perhaps may not rise to that level of importance.

Moving beyond the Postal Service's petition, which contained what are essentially housekeeping modifications in the timing and format of the information currently submitted under the periodic reporting rules, UPS urges the Commission to require separate segment-level reporting for market dominant and competitive products. UPS Comments at 7-10. This would constitute a major substantive expansion of the periodic reporting obligations, and is set forth without any appreciation for the underlying statutory context.

Section 3654(b)(3) of title 39 states that the Postal Service was required to commence segment reporting for the Form 10-Q and 10-K reports submitted in FY 2010, and further states that it is the Postal Service, after consultation with the Commission, that determines the segment reporting that is appropriate. Fulfilling its obligations under this provision one year early, the Postal Service applied the Financial Accounting Standards Board (FASB) standards and included the following determination in its Form 10-K Report for FY 2009:

Segments

Although the law divides our services into market-dominant and competitive categories, and we track revenues by category and mail class, we operate one fully-integrated network. We operate in one segment throughout the United States, its possessions and territories.

2009 Form 10-K Report (November 16, 2009) at 3. The Postal Service has adhered to this approach to segment reporting ever since.

UPS points to no material changes in circumstances that make this approach any less appropriate now than it has been over the previous eight years. Application of the FASB criteria that UPS quotes in its comments still points inexorably toward the conclusion that the Postal Service operates as one segment. UPS has not offered any

reason for the Postal Service to revisit its determination in this regard. The UPS proposal on segment reporting is therefore without merit.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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